

Retiree Drug Subsidy (RDS) Program

National Teleconference
Interim Payment Process
February 22, 2006



Interim Payment Process

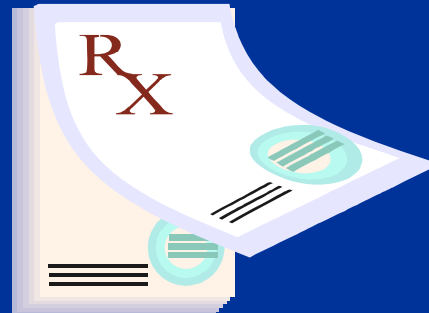
Interim Payment Cost Data



Interim Payment Request



Interim Payment Cost Data



Interim Payment Cost Data Topics

- Determining Eligible RDS Subsidy Costs
- Aggregated Levels of Reporting
- Retiree Level Cost Reporting
- Percentage of Premium Reporting Option
- Aggregating Cost Data
- Revising Cost Data
- Reporting 2005 Cost for Threshold
- Reporting Cost Methods
- Reporting Cost Roles
- Reporting Cost Frequency

Eligible RDS Subsidy Costs

- Drug costs that are covered under Part D as defined in 42 C.F.R. 423.100
- Drug costs that are *incurred* (filled) on, or within the Subsidy Period Effective Date and the Subsidy Period Termination Date
- Drug costs that are paid

Aggregated Levels of Reporting

Report costs *by month* (incurred date)

- **Application**
 - Benefit Option
 - Vendor (optional)

Cost Reporting

- Gross Cost
- Threshold Reduction
- Limit Reduction
- Estimated Cost Adjustment

Gross Cost

- Non-administrative costs
- Includes cost directly related to the dispensing of Part D drugs
- Whether paid for by plan or retiree, or a combination (e.g., copay & plan reimbursement)

Threshold Reduction

- Threshold reduction for a retiree is the gross retiree costs, incurred at or below the threshold amount (\$250 for plan years ending in 2006)
- For example if the gross retiree cost for a qualified covered retiree for the plan year in question is \$700 the threshold reduction would be \$250
- Threshold reduction reported is sum of all threshold reductions for all retirees

Limit Reduction

- Limit reduction for a retiree is the gross retiree costs incurred above the limit reduction amount (\$5000 for plan years ending in 2006)
- For example, Gross Retiree Cost Paid = \$5,010.00. Limit Reduction for retiree is calculated as $\$5,010.00 - \$5,000.00 = \$10$
- Or, Gross Retiree Cost Paid = \$5,750.00. Limit Reduction for retiree is calculated as $\$5,750.00 - \$5,000.00 = \$750$
- Limit reduction reported is sum of all limit reductions for all retirees

Estimated Cost Adjustment

- Estimate of the expected rebates and other price concessions (discounts, charge backs, etc.) attributable to the plan drug cost during the plan year
- Reported for the gross cost between the threshold reduction, and the limit reduction
- May allocate rebates using a methodology that determines rebates received under the plan as % of incurred drug costs, and applies that % to the gross retiree costs between the threshold reduction and limit reduction

Percentage of Premium Cost Reporting

- **Alternative for fully-insured plans**
- **Percentage of premium cost reporting data elements**
 1. Premium costs
 2. Estimated Cost Adjustment (may either be reported separately, or combined in premium cost estimate)

Percentage of Premium

- Portion of premium costs paid by the sponsor and by the qualifying covered retiree that is associated with the gross retiree costs between the cost threshold and the cost limit for prescription drug coverage
- The plan sponsor must use the same method for calculating costs throughout the plan year

Example A: Bob Russell

Subsidy Period = 1/1/2006 -12/31/2006

	A	B	C	D	E	F	G	H
1	MEMBER	NDC_CODE	FILLED_DATE	PAID_DATE	PLAN_PD	OOP	GROSS	SUBSIDY?
2	Bob Russell	EX555083202	1/2/2006	2/12/2006	70	10	80	Y
3	Bob Russell	EX555083102	1/5/2006	1/20/2006	80	10	90	Y
4	Bob Russell	EX555083202	1/13/2006	2/20/2006	40	10	50	Y
5	Bob Russell	EX186001631	2/10/2006	3/20/2006	25	70	95	N
6	Bob Russell	EX516724029	3/15/2006	4/20/2006	65	10	75	Y

- Incurred w/in Subsidy Period?
- Drug cost Part D drug?
- Drug cost paid?

Example A: Bob Russell

Subsidy Period = 1/1/2006 -12/31/2006

	A	B	C	D	E	F	G	H
1	MEMBER	NDC_CODE	FILLED_DATE	PAID_DATE	PLAN_PD	OOP	GROSS	SUBSIDY
2	Bob Russell	EX555083202	1/2/2006	2/12/2006	70	10	80	Y
3	Bob Russell	EX555083102	1/5/2006	1/20/2006	80	10	90	Y
4	Bob Russell	EX555083202	1/13/2006	2/20/2006	40	10	50	Y
5	Bob Russell	EX516724029	3/15/2006	4/20/2006	65	10	75	Y

$[GE = GRC - THR - LR, CA = GE - ECA, SP + CA \times .28]$

Month	Gross Retiree Cost (GRC)	Threshold Reduction (THR)	Limit Reduction (LR)	Gross Eligible* (GE)	Estimated Cost Adjustment (ECA)	Calculated Allowed* (CA)	Subsidy Paid (SP)*
January	220	220	0	0	0	0	0
February	0	0	0	0	0	0	0
March	75	30	0	45	1.35	43.65	12.22

Example B: Sally Jane

Subsidy Period = 2/1/2006 -12/31/2006

	A	B	C	D	E	F	G	H
1	MEMBER	NDC_CODE	FILLED_DATE	PAID_DATE	PLAN_PD	OOP	GROSS	SUBSIDY?
2	Sally Jane	EX186001631	1/22/2006	4/28/2006	63	35	98	N
3	Sally Jane	EX172407360	1/22/2006	4/28/2006	45	15	60	N
4	Sally Jane	EX63481062270	2/22/2006	2/28/2006	88	15	103	Y
5	Sally Jane	EX52152015902	2/22/2006	3/28/2006	62	30	92	Y
6	Sally Jane	EX63481062270	2/22/2006	2/28/2006	77	15	92	Y
7	Sally Jane	EX63481062270	3/22/2006	3/28/2006	77	15	92	Y

- Incurred w/in Subsidy Period?
- Drug cost Part D drug?
- Drug cost paid?

Example B: Sally Jane

Subsidy Period = 2/1/2006 -12/31/2006

	A	B	C	D	E	F	G	H
1	MEMBER	NDC_CODE	FILLED_DATE	PAID_DATE	PLAN_PD	OOP	GROSS	SUBSIDY?
2	Sally Jane	EX186001631	1/22/2006	4/28/2006	63	35	98	N
3	Sally Jane	EX172407360	1/22/2006	4/28/2006	45	15	60	N
4	Sally Jane	EX63481062270	2/22/2006	2/28/2006	88	15	103	Y
5	Sally Jane	EX52152015902	2/22/2006	3/28/2006	62	30	92	Y
6	Sally Jane	EX63481062270	2/22/2006	2/28/2006	77	15	92	Y
7	Sally Jane	EX63481062270	3/22/2006	3/28/2006	77	15	92	Y

$[GE = GRC - THR - LR, CA = GE - ECA, SP + CA \times .28]$

Month	Gross Retiree Cost (GRC)	Threshold Reduction (THR)	Limit Reduction (LR)	Gross Eligible* (GE)	Estimated Cost Adjustment (ECA)	Calculated Allowed* (CA)	Subsidy Paid (SP)*
January	0	0	0	0	0	0	0
February	287	250	0	37	1.11	35.89	10.05
March	92	0	0	92	2.76	89.24	24.99

Aggregated Cost Data

<u>Bob</u> Month	Gross Retiree Cost (GRC)	Threshold Reduction (THR)	Limit Reduction (LR)	Gross Eligible* (GE)	Estimated Cost Adjustment (ECA)	Calculated Allowed* (CA)	Subsidy Paid (SP)*
January	220	220	0	0	0	0	0
February	0	0	0	0	0	0	0
March	75	30	0	45	1.35	43.65	12.22

<u>Sally</u> Month	Gross Retiree Cost (GRC)	Threshold Reduction (THR)	Limit Reduction (LR)	Gross Eligible* (GE)	Estimated Cost Adjustment (ECA)	Calculated Allowed* (CA)	Subsidy Paid (SP)*
January	0	0	0	0	0	0	0
February	287	250	0	37	1.11	35.89	10.05
March	92	0	0	92	2.76	89.24	24.99

<u>Aggregate</u> Month	Gross Retiree Cost (GRC)	Threshold Reduction (THR)	Limit Reduction (LR)	Gross Eligible* (GE)	Estimated Cost Adjustment (ECA)	Calculated Allowed* (CA)	Subsidy Paid (SP)*
January	220	220	0	0	0	0	0
February	287	250	0	37	1.11	35.89	10.05
March	167	30	0	137	4.11	132.89	37.21

Example C: John Smith

Subsidy Period = 1/1/2006 -12/31/2006

MEMBER	NDC_CODE	FILLED_DATE	PAID_DATE	PLAN_PD	OOP	GROSS	SUBSIDY?
John Smith	EX186001631	1/2/2006	1/30/2006	820	35	855	Y
John Smith	EX51672402901	1/15/2006	1/30/2006	380	10	390	Y
John Smith	EX51672403101	2/22/2006	2/28/2006	560	10	570	Y
John Smith	EX186001631	2/22/2006	2/28/2006	780	35	815	Y
John Smith	EX51672403101	2/22/2006	2/28/2006	135	10	145	Y
John Smith	EX51672403101	3/1/2006	3/25/2006	355	10	365	Y
John Smith	EX186001631	3/1/2006	3/25/2006	480	35	515	Y
John Smith	EX186001631	3/21/2006	3/25/2006	210	35	245	Y
John Smith	EX51672403101	3/21/2006	3/25/2006	750	10	760	Y
John Smith	EX186001631	3/21/2006	3/25/2006	98	35	133	Y
John Smith	EX51672403101	3/21/2006	3/25/2006	156	10	166	Y
John Smith	EX56016870	3/21/2006	3/25/2006	566	20	586	Y
John Smith	EX186001631	3/21/2006	3/25/2006	745	35	780	Y

Month	Gross Retiree Cost (GRC)	Threshold Reduction (THR)	Limit Reduction (LR)	Gross Eligible* (GE)	Estimated Cost Adjustment (ECA)	Calculated Allowed* (CA)	Subsidy Paid (SP)*
January	1245	250	0	995	29.85	965.15	270.24
February	1530	0	0	1530	45.90	1484.10	415.55
March	3550	0	1325	2225	66.75	2158.25	604.31

Revising Cost Data

MEMBER	NDC_CODE	FILLED_DATE	PAID_DATE	PLAN_PD	OOP	GROSS	SUBSID	UPDATE
Bob Russell	EX555083202	1/2/2006	2/12/2006	70	10	80	Y	
Bob Russell	EX555083102	1/5/2006	1/20/2006	80	10	90	Y	
Bob Russell	EX123455	1/12/2006	1/30/2006	300	10	310	Y	Added
Bob Russell	EX555083202	1/13/2006	2/20/2006	40	10	50	Y	
Bob Russell	EX51672402901	3/15/2006	4/20/2006	65	10	75	N	Removed
Bob Russell	EX56789	3/20/2006	4/31/2006	80	15	95	Y	Added
Sally Jane	EX186001631	1/22/2006	4/28/2006	63	35	98	N	
Sally Jane	EX172407360	1/22/2006	4/28/2006	45	15	60	N	
Sally Jane	EX63481062270	2/22/2006	2/28/2006	88	15	103	Y	
Sally Jane	EX52152015902	2/22/2006	3/28/2006	62	30	92	Y	
Sally Jane	EX63481062270	2/22/2006	2/28/2006	77	15	92	Y	
Sally Jane	EX999999	2/25/2006	3/30/2006	50	10	60	Y	Added
Sally Jane	EX63481062270	3/22/2006	3/28/2006	77	15	92	Y	
John Smith	EX186001631	1/2/2006	1/30/2006	820	35	855	Y	
John Smith	EX6666666	1/15/2006	2/25/2006	200	20	220	Y	Added
John Smith	EX51672402901	1/15/2006	3/30/2006	380	10	390	Y	
John Smith	EX51672403101	2/22/2006	3/28/2006	560	10	570	Y	
John Smith	EX186001631	2/22/2006	2/28/2006	780	35	815	Y	
John Smith	EX51672403101	2/22/2006	2/28/2006	135	10	145	Y	
John Smith	EX51672403101	3/1/2006	3/25/2006	355	10	365	Y	
John Smith	EX186001631	3/1/2006	3/25/2006	480	35	515	Y	
John Smith	EX186001631	3/21/2006	3/25/2006	210	35	245	Y	Removed
John Smith	EX51672403101	3/21/2006	3/25/2006	750	10	760	Y	
John Smith	EX186001631	3/21/2006	3/25/2006	98	35	133	Y	
John Smith	EX51672403101	3/21/2006	3/25/2006	156	10	166	Y	
John Smith	EX56016870	3/21/2006	3/25/2006	566	20	586	Y	
John Smith	EX186001631	3/21/2006	3/25/2006	745	35	780	Y	

Revised: Bob Russell

MEMBER	NDC_CODE	FILLED_DATE	PAID_DATE	PLAN_PD	OOP	GROSS	SUBSIDY	UPDATE
Bob Russell	EX555083202	1/2/2006	2/12/2006	70	10	80	Y	
Bob Russell	EX555083102	1/5/2006	1/20/2006	80	10	90	Y	
Bob Russell	EX123455	1/12/2006	1/30/2006	300	10	310	Y	Added
Bob Russell	EX555083202	1/13/2006	2/20/2006	40	10	50	Y	
Bob Russell	EX51672402901	3/15/2006	4/20/2006	65	10	75	N	Removed
Bob Russell	EX56789	3/20/2006	4/31/2006	80	15	95	Y	Added

Previous - Old

<u>Bob</u> Month	Gross Retiree Cost (GRC)	Threshold Reduction (THR)	Limit Reduction (LR)	Gross Eligible* (GE)	Estimated Cost Adjustment (ECA)	Calculated Allowed* (CA)	Subsidy Paid (SP)*
January	220	220	0	0	0	0	0
February	0	0	0	0	0	0	0
March	75	30	0	45	1.35	43.65	12.22

Adjusted - New

<u>Bob</u> Month	Gross Retiree Cost (GRC)	Threshold Reduction (THR)	Limit Reduction (LR)	Gross Eligible* (GE)	Estimated Cost Adjustment (ECA)	Calculated Allowed* (CA)	Subsidy Paid (SP)*
January	530	250	0	280	8.40	271.60	76.05
February	0	0	0	0	0	0	0
March	95	0	0	95	2.85	92.15	25.80

2005 Cost for Threshold

- Transition year applications with a PY start date in 2005, and PY end date in 2006 must use costs incurred in 2005 to meet the threshold and limit reductions for retirees
- Costs must be Part D covered, paid, and the retiree must have a Subsidy period effective date of 1/1/2006
- 2005 Costs will only be used for the threshold and limit reductions
- No subsidy will be paid on 2005 costs

Cost Report Methods

- File transmission via Mainframe to Mainframe communications
- Manual Data Entry via RDS Secure Website
- File upload via RDS Secure Website *will not* be available initially

Cost Reporter Role

- Each benefit option must have at least one cost reporter
- Same Cost Reporter for all Benefit Options, or a different Cost Reporter per Benefit Option
- May be the Account Manager, or a Designee(s) (either an existing, or new)
- May not be the person who requests payment (Payment Requestor)
- May not be the Authorized Representative

Cost Reporter Role - Vendor

- The term “Vendor” refers to a Pharmacy Benefit Manager, Health Plan, or another third party Company that has been contracted by multiple Plan Sponsors to report cost
- Requirement of multiple Vendors to report costs for a single benefit option
- Vendors need to supply costs for multiple plans sponsors in a single mainframe file
- Each Vendor is assigned a Vendor ID by the RDS Center

Cost Reporting Frequency

- Functionality available 7/1
- May report costs as frequently, or infrequently as desired
- *Must* be reported by month, benefit option, and vendor if applicable
- No limit to the number of times corrected costs may be reported

Cost Reporting

- Last in Approach for Handling Multiple Reports
- Last record received for a given month will appear in the Benefit Option Cost Report Spreadsheet and will be eligible for inclusion in a payment request
- System will not overlay costs reported by different Vendors
- Email notification will be sent when cost reports are received

How to make an Interim Payment Request on the RDS Secure Website

View Reported Costs

- Review newly reported costs for each benefit option

Build Payment Request

- Option will be available when at least one benefit option has reported new costs and the payment frequency requirements are met
- Select all or some of the cost reports - An excluded report may be included in a future payment request

Sign Payment Agreement and Submit Request

- Review Payment Agreement
- Provide Electronic Signature (security questions)

Resource Reminder

- RDS Program Web Site (<http://rds.cms.hhs.gov/>) – 2/8/2006 home page announcement, 1/23/2006 home page announcement, 9/22/2005 announcement archive
- Federal Register notice - <http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-19070.pdf>
- Federal Register supporting documentation - <http://www.cms.hhs.gov/PaperworkReductionActof1995/PRAL/itemdetail.asp?filterType=non&filterByDID=-99&sortByDID=2&sortOrder=descending&itemID=CMS053471>
- Rebate Guidance – FAQ 5775
- Medicare Part B vs Part D coverage issues - http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/Downloads/PartBandPartDdoc_07.27.05.pdf

RDS Secure Web Site

- **Interim Payment Setup Functionality – April 6, 2006**
- **Interim Cost Reporting and Payment Request Functionality – July 1, 2006**

Thank you for your time.